

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:)	
)	Chapter 11
CORE SCIENTIFIC, INC. <i>et al.</i> , ¹)	Case No. 22-90341 (DRJ)
)	
Debtors.)	(Jointly Administered)
)	

**SUMMARY COVERSHEET TO THE FIRST INTERIM FEE APPLICATION OF
DELOITTE TAX LLP FOR COMPENSATION OF SERVICES RENDERED AND
REIMBURSEMENT OF EXPENSES AS TAX SERVICES PROVIDER TO THE DEBTORS
FOR THE PERIOD FROM JANUARY 16, 2023 THROUGH MARCH 31, 2023**

Name of Applicant:	Deloitte Tax LLP	
Applicant's Role in Case:	Tax services provider to Debtors and Debtors in Possession	
Effective Date of Order of Employment Signed:	01/16/2023 [Docket No. 789]	
	Beginning of Period	End of Period
Time period covered by this Application:	01/16/2023	03/31/2023
Time period(s) covered by prior Applications:	N/A	N/A
Total amounts awarded in all prior Applications:	N/A	
Total fees requested in this Application:	\$838,757.20	
Total professional fees requested in this Application:	\$838,757.20	
Total actual professional hours covered by this Application:	989.6	
Average hourly rate for professionals:	\$847.57	
Total paraprofessional fees requested in this Application:	\$0.00	
Total actual paraprofessional hours covered by this Application:	N/A	
Average hourly rate for paraprofessionals:	N/A	
Reimbursable expenses sought in this application:	\$1,720.63	
Total Fees and Expenses Requested in this Statement (inclusive of 20% holdback):	\$840,477.83	

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The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Core Scientific Mining LLC (6971); Core Scientific, Inc. (3837); Core Scientific Acquired Mining LLC (N/A); Core Scientific Operating Company (5526); Radar Relay, Inc. (0496); Core Scientific Specialty Mining (Oklahoma) LLC (4327); American Property Acquisition, LLC (0825); Starboard Capital LLC (6677); RADAR LLC (5106); American Property Acquisitions I, LLC (9717); and American Property Acquisitions, VII, LLC (3198). The Debtors' corporate headquarters and service address is 210 Barton Springs Road, Suite 300, Austin, Texas 78704.

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**FIRST INTERIM FEE APPLICATION OF DELOITTE TAX LLP FOR
COMPENSATION OF SERVICES RENDERED AND REIMBURSEMENT OF EXPENSES
TAX SERVICES PROVIDER TO THE DEBTORS FOR THE PERIOD
FROM JANUARY 16, 2023 THROUGH MARCH 31, 2023**

IF YOU OBJECT TO THE RELIEF REQUESTED, YOU MUST RESPOND IN WRITING UNLESS OTHERWISE DIRECTED BY THE COURT, YOU MUST FILE YOUR RESPONSE ELECTRONICALLY AT [HTTPS://EDCF.TXB.USCOURTS.GOV/](https://edcf.txb.uscourts.gov/) WITHIN TWENTY-ONE DAYS FROM THE DATE THIS MOTION WAS FILED. IF YOU DO NOT HAVE ELECTRONIC FILING PRIVILEGES, YOU MUST FILE A WRITTEN OBJECTION THAT IS ACTUALLY RECEIVED BY THE CLERK WITHIN TWENTY-ONE DAYS FROM THE DATE THIS MOTION WAS FILED. OTHERWISE, THE COURT MAY TREAT THE PLEADING AS UNOPPOSED AND GRANT THE RELIEF REQUESTED. REPRESENTED PARTIES SHOULD ACT THROUGH THEIR ATTORNEY.

Name of Applicant:	Deloitte Tax LLP
Authorized to Provide Professional Services as:	Tax Services Provider
Date of Retention:	<i>Nunc Pro Tunc</i> to January 16, 2023
Period for which Compensation and Reimbursement is Sought:	January 16, 2023 through March 31, 2023
Total Amount of Fees Requested:	\$ 838,757.20
Amount of Expense Reimbursement Sought	\$ 1,720.63
Total Amount of Fees and Expense:	\$ 840,477.83

This is an: ___ Monthly ___ X Interim ___ Final Application

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PRIOR FEE APPLICATIONS FILED

Date Served	Period Covered	Requested Fees	Requested Expenses	Approved Fees	Approved Expenses
07/13/23	01/13/2023 - 03/31/2023	\$ 838,757.20	\$ 1,720.63	\$ -	\$ -
TOTAL		\$ 838,757.20	\$ 1,720.63	\$ -	\$ -

CUMULATIVE TIME SUMMARY BY PROFESSIONAL
For the Period of January 16, 2023 through March 31, 2023

Professional	Level	Rate	Hours	Fees
<i>Tax Advisory Services</i>				
Dougherty, Kevin	Partner/Principal	\$1,087.00	33.2	\$36,088.40
Forrest, Jonathan	Partner/Principal	\$1,087.00	6.2	\$6,739.40
Gerstel, Ken	Partner/Principal	\$1,087.00	91.5	\$99,460.50
Gibian, Craig	Partner/Principal	\$1,087.00	0.8	\$869.60
Segoria, Joe	Partner/Principal	\$1,087.00	1.0	\$1,087.00
Tasso, Nathan	Partner/Principal	\$1,087.00	0.8	\$869.60
Wegener, Steve	Partner/Principal	\$1,087.00	0.6	\$652.20
Bridenstine, Travis	Managing Director	\$1,087.00	29.4	\$31,957.80
Loo, Alice	Managing Director	\$1,087.00	0.6	\$652.20
Penico, Victor	Managing Director	\$1,087.00	2.4	\$2,608.80
Saxton, Kathy	Managing Director	\$1,087.00	7.1	\$7,717.70
Sullivan, Brian	Managing Director	\$1,087.00	16.9	\$18,370.30
Yanchisin, Helen	Managing Director	\$1,087.00	1.7	\$1,847.90
Butler, Mike	Senior Manager	\$956.00	94.8	\$90,628.80
Harper, Meredith	Senior Manager	\$956.00	19.8	\$18,928.80
Hogan, J.D.	Senior Manager	\$956.00	1.2	\$1,147.20
Newport, Cathy	Senior Manager	\$956.00	8.3	\$7,934.80
Robinson, Robin	Senior Manager	\$956.00	4.4	\$4,206.40
Kirpas, Joe	Manager	\$813.00	177.9	\$144,632.70
Koons, Aaron	Manager	\$813.00	196.5	\$159,754.50
Lagunas, Will	Manager	\$813.00	20.0	\$16,260.00
Pickering, Maria	Manager	\$813.00	1.0	\$813.00
Ruan, John	Manager	\$813.00	0.5	\$406.50
Sowlati, Lili	Manager	\$813.00	9.5	\$7,723.50
Hardie, Chadd	Senior Consultant	\$701.00	1.2	\$841.20
Liu, Emmy	Senior Consultant	\$701.00	37.1	\$26,007.10
McDermott, Jack	Senior Consultant	\$701.00	9.4	\$6,589.40
Meyer, Amber	Senior Consultant	\$701.00	138.9	\$97,368.90
White, Justin	Senior Consultant	\$701.00	9.8	\$6,869.80
Genova, Joseph	Consultant	\$592.00	41.6	\$24,627.20
Heavey, Dermot	Consultant	\$592.00	25.5	\$15,096.00
Professional Subtotal:			989.6	\$838,757.20
Total	Blended Hourly Rate:	\$847.57	989.6	\$838,757.20

CUMULATIVE FEES BY CATEGORY SUMMARY
For the Period of January 16, 2023 through March 31, 2023

Categories	Hours	Fees
Tax Advisory Services	989.6	\$838,757.20
Fees Category Subtotal :	989.6	\$838,757.20

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EXPENSES AS TAX SERVICES PROVIDER TO THE DEBTORS FOR
THE PERIOD FROM JANUARY 16, 2023 THROUGH MARCH 31, 2023**

3 The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Core Scientific Mining LLC (6971); Core Scientific, Inc. (3837); Core Scientific Acquired Mining LLC (N/A); Core Scientific Operating Company (5526); Radar Relay, Inc. (0496); Core Scientific Specialty Mining (Oklahoma) LLC (4327); American Property Acquisition, LLC (0825); Starboard Capital LLC (6677); RADAR LLC (5106); American Property Acquisitions I, LLC (9717); and American Property Acquisitions, VII, LLC (3198). The Debtors' corporate headquarters and service address is 210 Barton Springs Road, Suite 300, Austin, Texas 78704.

16, 2023 through and including March 31, 2023 (the “Interim Application Period”). In support of this Interim Fee Application, Deloitte Tax respectfully represents as follows:

JURISDICTION

1. The Court has subject matter jurisdiction to consider and determine this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

STATUTORY BASIS

2. The statutory predicates for the relief requested herein are: (i) section 330 of the Bankruptcy Code; (ii) rule 2016 of the Bankruptcy Rules; and (iii) rule 2016-1 of the Local Rules.

BACKGROUND

3. On December 21, 2022 (the “Petition Date”), the Debtors each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors are operating their businesses and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

4. No trustee or examiner has been appointed in these chapter 11 cases.

5. On January 9, 2023, the United States Trustee for Region 7 (the “U.S. Trustee”) appointed an official committee of unsecured creditors.

6. On February 21, 2023, the Court entered the *Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals* [Docket No. 541] (the “Compensation Order”), which generally sets forth the procedures for interim and final compensation and expense reimbursement for retained professionals.

RETENTION OF DELOITTE TAX

7. On February 16, 2023, the Debtors filed the *Application of Debtors for Entry of an Order (I) Authorizing the Employment and Retention of Deloitte Tax LLP as Tax Services Provider*

Effective as of January 16, 2023 and (II) Granting Related Relief [Docket No. 530] (the “Retention Application”).

8. On April 13, 2023, the Court entered an order approving the Retention Application [Docket No. 790] (the “Retention Order”).

RELIEF REQUESTED

9. By this Interim Fee Application, Deloitte Tax respectfully seeks interim compensation of 100% of its fees in the amount of \$838,757.20, together with reasonable and necessary expenses incurred in the amount of \$1,720.63, for a total amount requested of \$840,477.83 for the Interim Application Period. Deloitte Tax submits this Interim Fee Application in accordance with the Compensation Order and the Retention Order. All services for which Deloitte Tax requests compensation were performed for the Debtors.

BASIS FOR RELIEF

10. This is the first interim fee application filed by Deloitte Tax in these cases. In connection with the professional services rendered, by this Interim Fee Application, Deloitte Tax seeks compensation in the amount of \$838,757.20. The Applicant maintains computerized records of the time expended in the rendering of the professional services required by the Debtors. These records are maintained in the ordinary course of the Applicant’s business. A detailed statement of hours spent rendering professional services to the Debtors in support of Deloitte Tax’s request for compensation for fees incurred during the Interim Application Period is attached hereto as Exhibit B. Exhibit B: (i) identifies the professionals and paraprofessionals that rendered services in each project category; and (ii) describes each service such professional or paraprofessional performed.

11. Deloitte Tax also maintains computerized records of all expenses incurred in connection with the performance of professional services. By this Interim Fee Application, Deloitte Tax also seeks expense reimbursement of \$1,720.63. A summary of actual and necessary expenses incurred by Deloitte Tax during the Interim Application Period is attached hereto as Exhibit C. Deloitte Tax does not charge for photocopying, out-going facsimile transmissions, or long-distance telephone calls on faxes.

12. No agreement or understanding exists between Deloitte Tax and any nonaffiliated or unrelated person or persons for the sharing of compensation received or to be received for professional services rendered in or in connection with these cases.

DESCRIPTION OF SERVICES RENDERED

13. Deloitte Tax provides below an overview of the services it rendered as tax services provider for the Debtors during the Interim Application Period. Detailed descriptions of these services, the amount of fees incurred, and the amount of hours spent providing services throughout the Interim Application Period are also provided in the attached Exhibits.

Tax Advisory Services:

Hours 989.6, Amount \$838,757.20

- Deloitte Tax advised the Debtors on the cash tax effects of restructuring and bankruptcy and the post restructuring tax profile, including transaction costs and/or plan of reorganization tax costs, and the cash tax effects of a chapter 11 filing and emergence transaction, including obtaining an understanding of Debtors' forecasted business plan and various valuation assumptions.
- Deloitte Tax advised the Debtors on state income tax treatment and planning for restructuring or bankruptcy provisions in various jurisdictions including cancellation of

indebtedness calculations, adjustments to tax attributes and limitations on tax attribute utilization.

- Advised the Debtors on matters pertaining to section 382 ownership shifts and shifting percentages;
- Deloitte Tax advised the Debtors on the effects of tax rules under Internal Revenue Code (“IRC”) sections 382(1)(5) and (1)(6) pertaining to the post-bankruptcy net operating loss carryovers and limitations on their utilization and the Debtors’ ability to qualify for IRC section 382(1)(5); and
- Advise the Debtors on state income tax treatment and planning for restructuring or bankruptcy provisions in various jurisdictions including cancellation of indebtedness calculations, adjustments to tax attributes and limitations on tax attribute utilization.

**ALLOWANCE OF COMPENSATION
AND ACTUAL AND NECESSARY EXPENSES**

14. Because of the benefits realized by the Debtors, the nature of services provided, the amount of work done, the time consumed and the skill required, Deloitte Tax requests that it be allowed, on an interim basis, compensation for the professional services rendered during the Interim Application Period in the sum of \$838,757.20.

15. During the Interim Application Period, allowance of compensation in the amount requested would result in a blended hourly billing rate for professionals of approximately \$847.57.

16. Deloitte Tax respectfully submits that the professional services rendered by Deloitte Tax on behalf of the Debtors during the Interim Application Period were reasonable, necessary and appropriate to the administration of these chapter 11 cases and related matters.

17. Deloitte Tax has disbursed, and requests reimbursement for, a total of \$1,720.63 in expenses. In providing professional services for the Debtors during the Interim Application Period, which represents actual, necessary expenses incurred in the rendition of professional services in these chapter 11 cases.

18. Deloitte Tax believes that the actual expenses incurred in providing professional services during the Interim Application Period were necessary, reasonable and justified under the circumstances to provide services to the Debtors in these chapter 11 cases.

DELOITTE TAX'S REQUESTED FEES SHOULD BE ALLOWED
BY THIS COURT

19. Section 330 provides that a court may award a professional employed under section 327 of the Bankruptcy Code “reasonable compensation for actual, necessary services rendered . . . and reimbursement for actual, necessary expenses.” 11 U.S.C. § 330(a)(1). Section 330 sets forth the criteria for the award of compensation and reimbursement:

In determining the amount of reasonable compensation to be awarded . . . the court shall consider the nature, the extent, and the value of such services, taking into account all relevant factors, including –

- (a) the time spent on such services;
- (b) the rates charged for such services;
- (c) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;
- (d) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed;
- (e) with respect to a professional person, whether the person is board certified or otherwise has demonstrated skill and experience in the bankruptcy field; and
- (f) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

11 U.S.C. § 330(a)(3).

20. In the instant case, Deloitte Tax respectfully submits that the services for which it seeks compensation in this Interim Application Period were necessary for and beneficial to the Debtors and were performed economically, effectively, and efficiently. Deloitte Tax further submits that the compensation requested herein is reasonable in light of the nature, extent, and value of such services to the Debtors. Further, in accordance with the factors enumerated in section 327(a) and 328(a) of the Bankruptcy Code, the amount of fees requested is fair and reasonable given: (i) the complexity of these cases; (ii) the time expended; (iii) the nature and extent of the services rendered; (iv) the value of such services; and (v) the costs of comparable services other than in a case under the Bankruptcy Code. Accordingly, the approval of the compensation sought herein is warranted.

CERTIFICATE OF COMPLIANCE AND WAIVER

21. The undersigned representative of Deloitte Tax certifies that Deloitte Tax has reviewed the requirements of rule 2016-1 of the Local Rules and that the Interim Fee Application substantially complies with that Local Rule. To the extent that the Interim Fee Application does not comply in all respects with the requirements of Local Rule 2016-1, Deloitte Tax believes that such deviations are not material and respectfully requests that any such requirement be waived.

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WHEREFORE, Deloitte Tax respectfully requests that the Court enter an order: (i) granting allowance, on an interim basis, of compensation for professional services rendered to the Debtors by Deloitte Tax for the Interim Application Period in the amount of \$838,757.20, which represents 100% of the total compensation for professional services rendered during the Interim Application Period and reimbursement of actual and necessary expenses in the amount of \$1,720.63 for a total allowance of \$840,477.83; (ii) authorizing and directing the Debtors to pay all such amounts to Deloitte Tax; and (iii) granting such other and relief as may be just and proper.

Dated: August 23, 2023
San Diego, California

Respectfully submitted,

DELOITTE TAX LLP

/s/ Kenneth Gerstel
Kenneth Gerstel
Partner
12830 El Camino Real, Ste. 600
San Diego, CA 92130
Telephone: 619.237.6539
Facsimile: 619.231.4525

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HOUSTON DIVISION**

In re:)	
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Debtors.)	(Jointly Administered)
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CERTIFICATION OF KENNETH GERSTEL

Kenneth Gerstel, deposes and says:

- 1) I am a partner in the applicant firm, Deloitte Tax LLP.
- 2) I have personally led, as the engagement partner, the professional services rendered by Deloitte Tax LLP, as tax services provider and am familiar with all work performed on behalf of the Debtors by the personnel of my firm.
- 3) I have reviewed the foregoing Fee Application and the facts set forth therein are true and correct to the best of my knowledge, information, and belief.

Date: August 23, 2023

/s/ Kenneth Gerstel
Kenneth Gerstel
Partner

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